

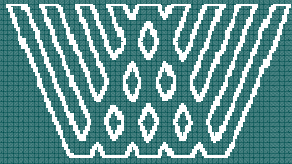


WOODSTOCK INSTITUTE

Mortgage Lending and Foreclosures in the Chicago Region

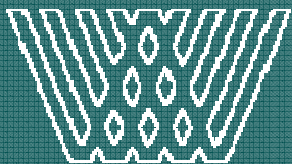
Geoff Smith, Vice President
Woodstock Institute

Federal Reserve Bank of Chicago
Chicago, IL
May 6, 2008



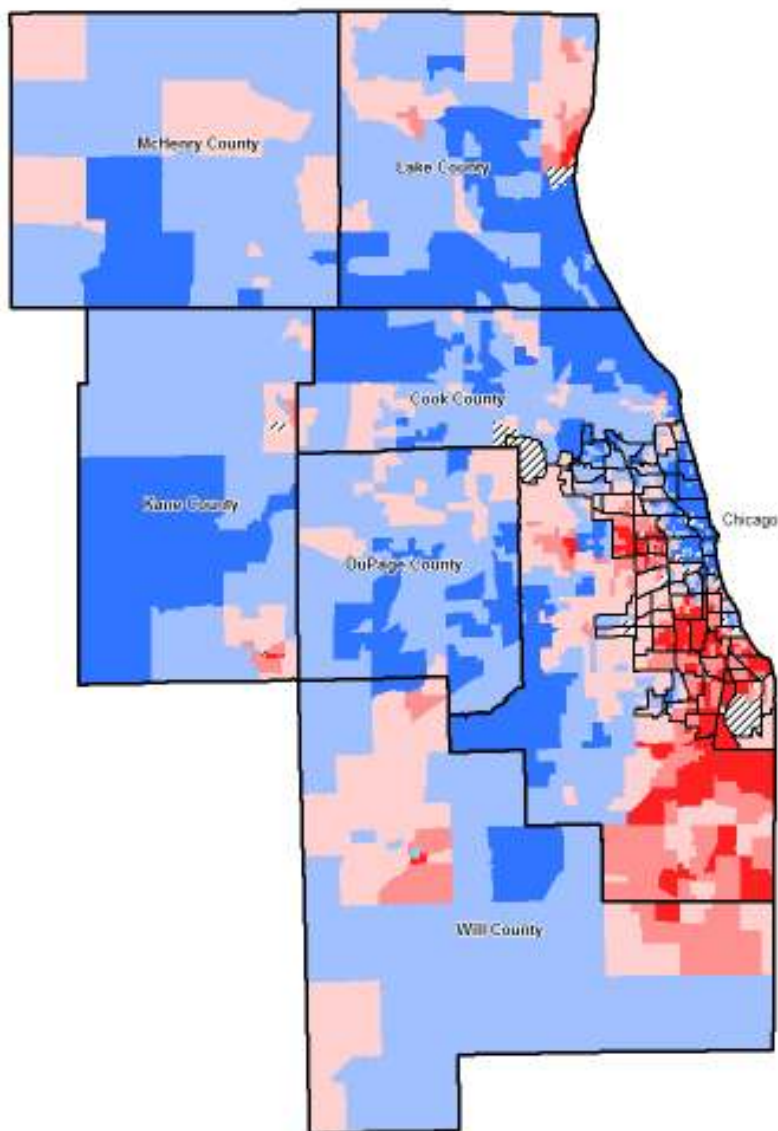
Mortgage Lending Context – Potential Problem Loans

- Higher Cost Loans
 - Problems with subprime, adjustable rate mortgages were leading cause of early spike in foreclosures
 - Incentives to put borrowers into higher cost, less affordable loans
 - Poor underwriting
 - Fraud
- Defunct Subprime Lenders
 - Concerns around lending practices
 - More difficult work out problem loans
- Investment Properties
 - Borrowers may be more likely to walk away
 - Impact on renters
- Junior Liens
 - Indicator of low levels of equity
 - More difficult acquisition

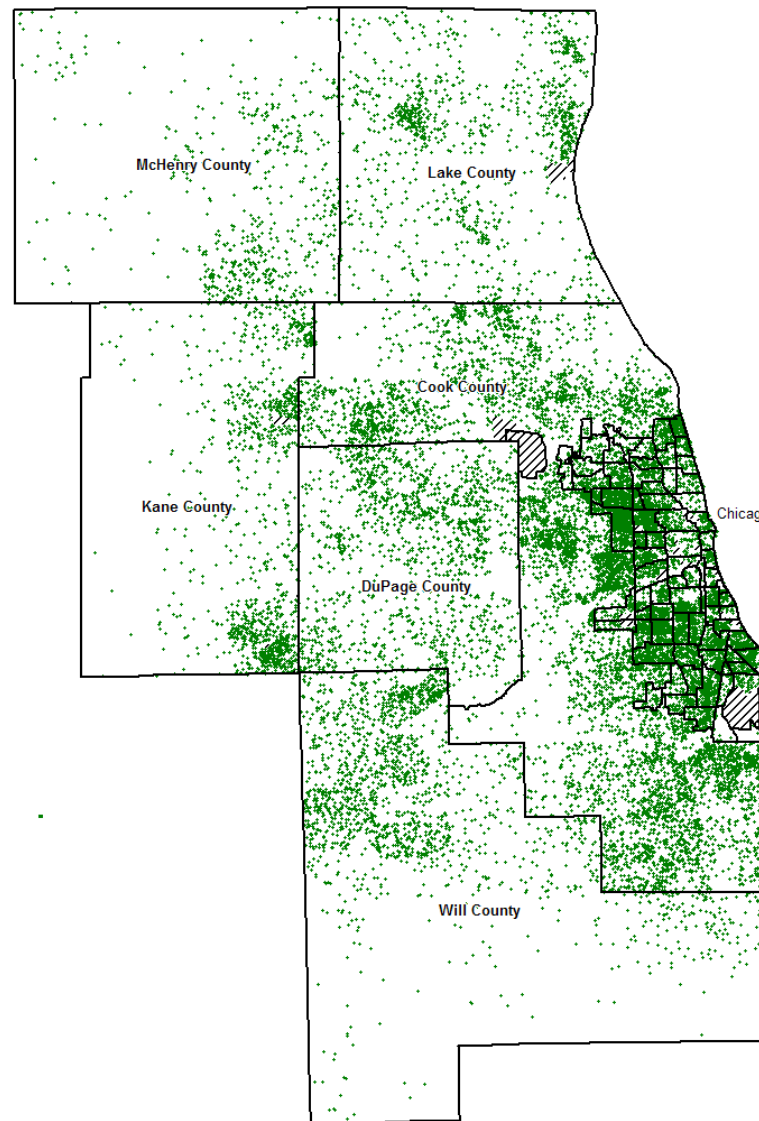


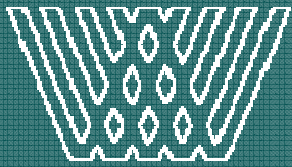
Mortgage Lending Context – Potential Problem Loans

Market Share Higher Cost Loans, 2006



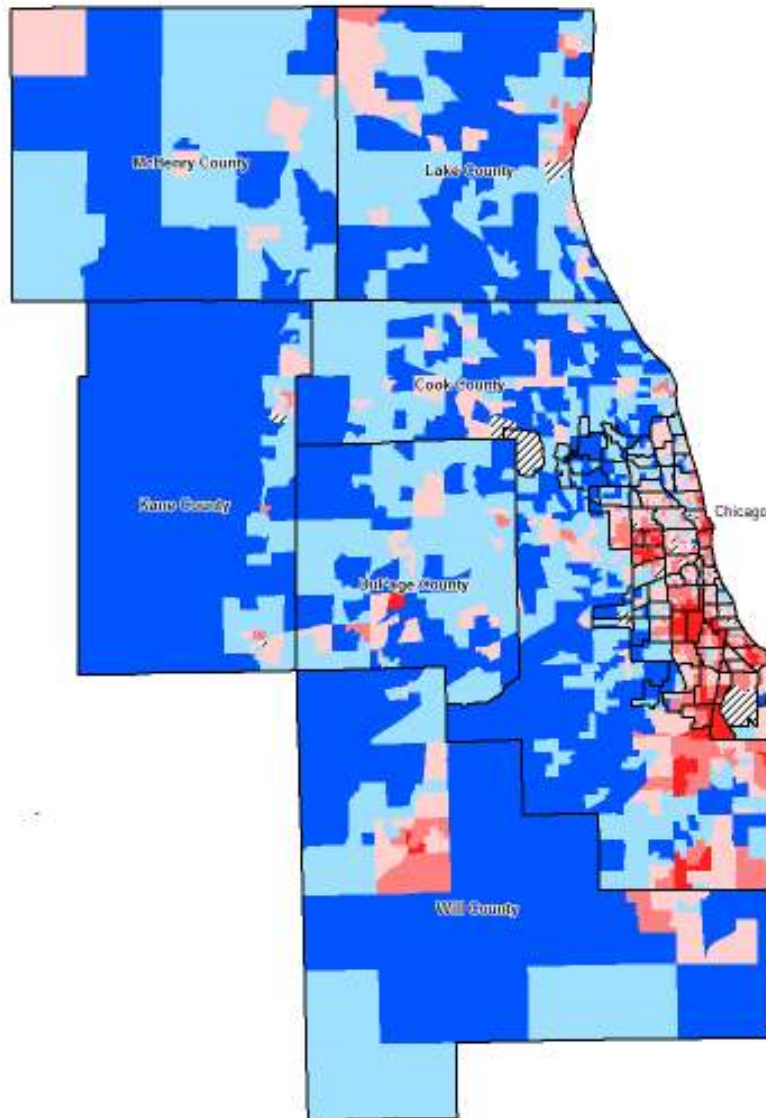
Loans by Defunct Subprime Lenders, 2006



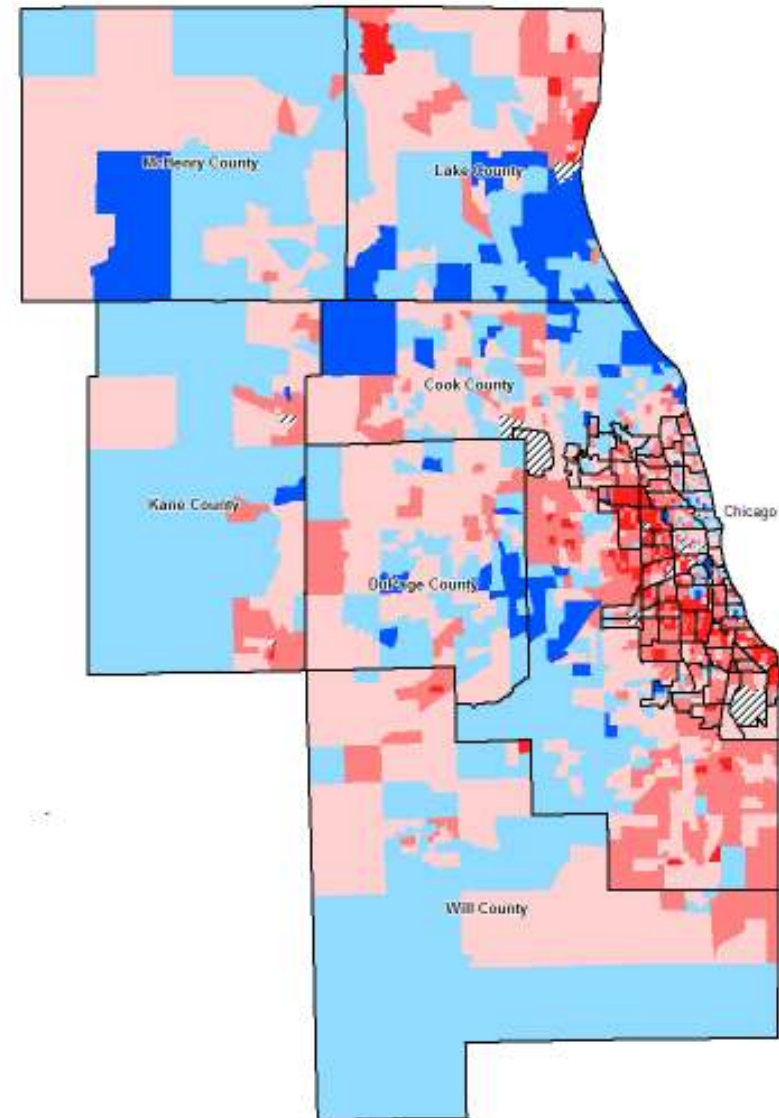


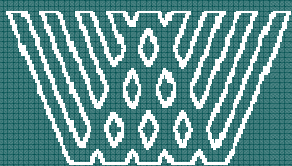
Mortgage Lending Context – Potential Problem Loans

Percent Loans to Non-Owner Occupied Properties, 2006



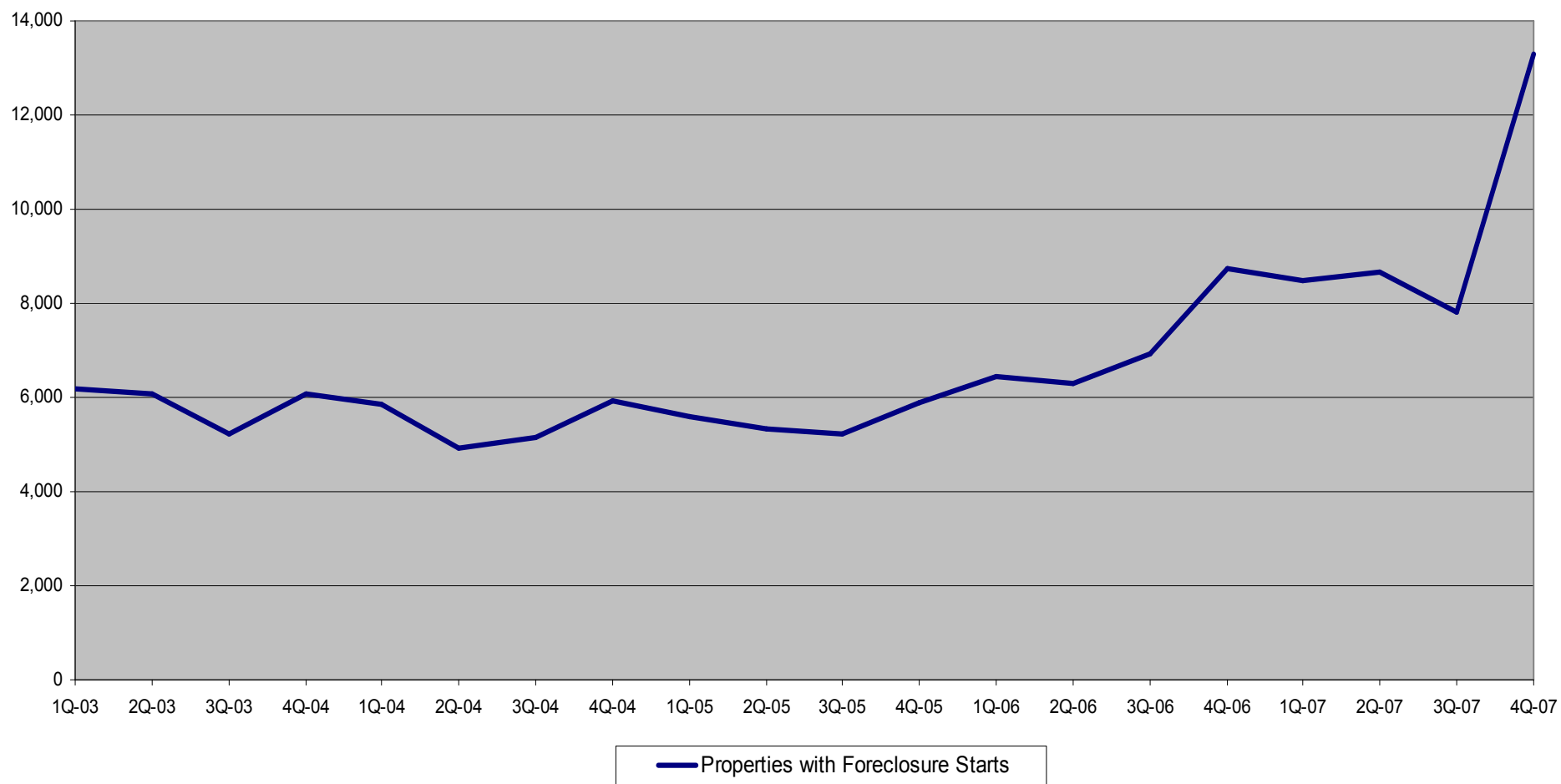
Percent Home Purchase Loans with Junior Liens, 2006



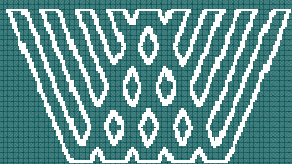


Foreclosure Trends in the Chicago Region

Quarterly Changes in Chicago Area Foreclosure Starts, 2003 to 2007



Source: Woodstock Institute analysis of data from Foreclosure Report of Chicago



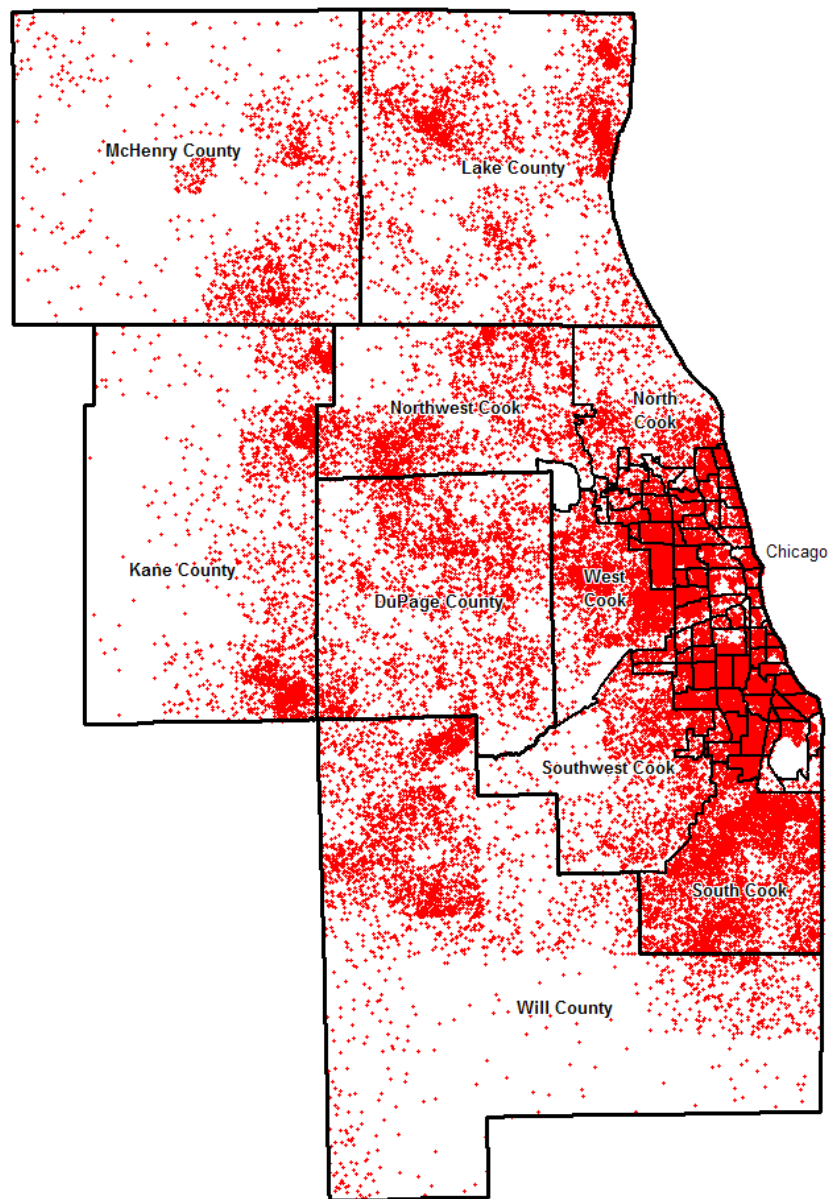
2007 Foreclosures in the Chicago Region

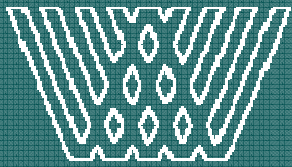
- **Chicago Six County Area – 79.4 percent increase between 2005 and 2007**

- Niles – 295.5%
- Westmont – 255.6%
- Wheaton – 240.0%
- Skokie – 198.3%
- Flossmoor – 183.3%

- **Chicago Six County Area – 38,215 single family properties with foreclosure filings**

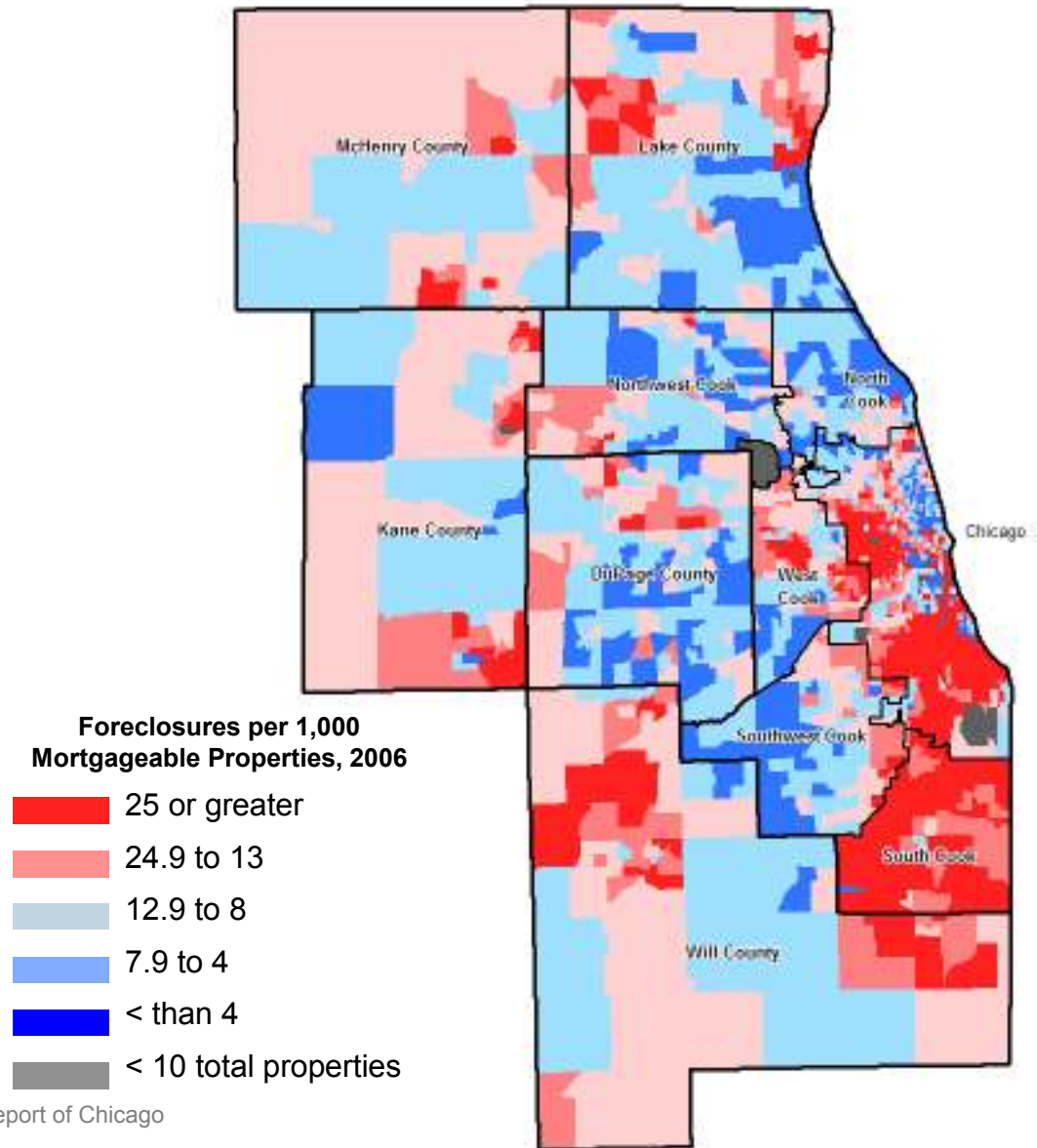
- Aurora – 1,031
- Joliet – 767
- Elgin – 624
- Bolingbrook – 523
- Waukegan – 478



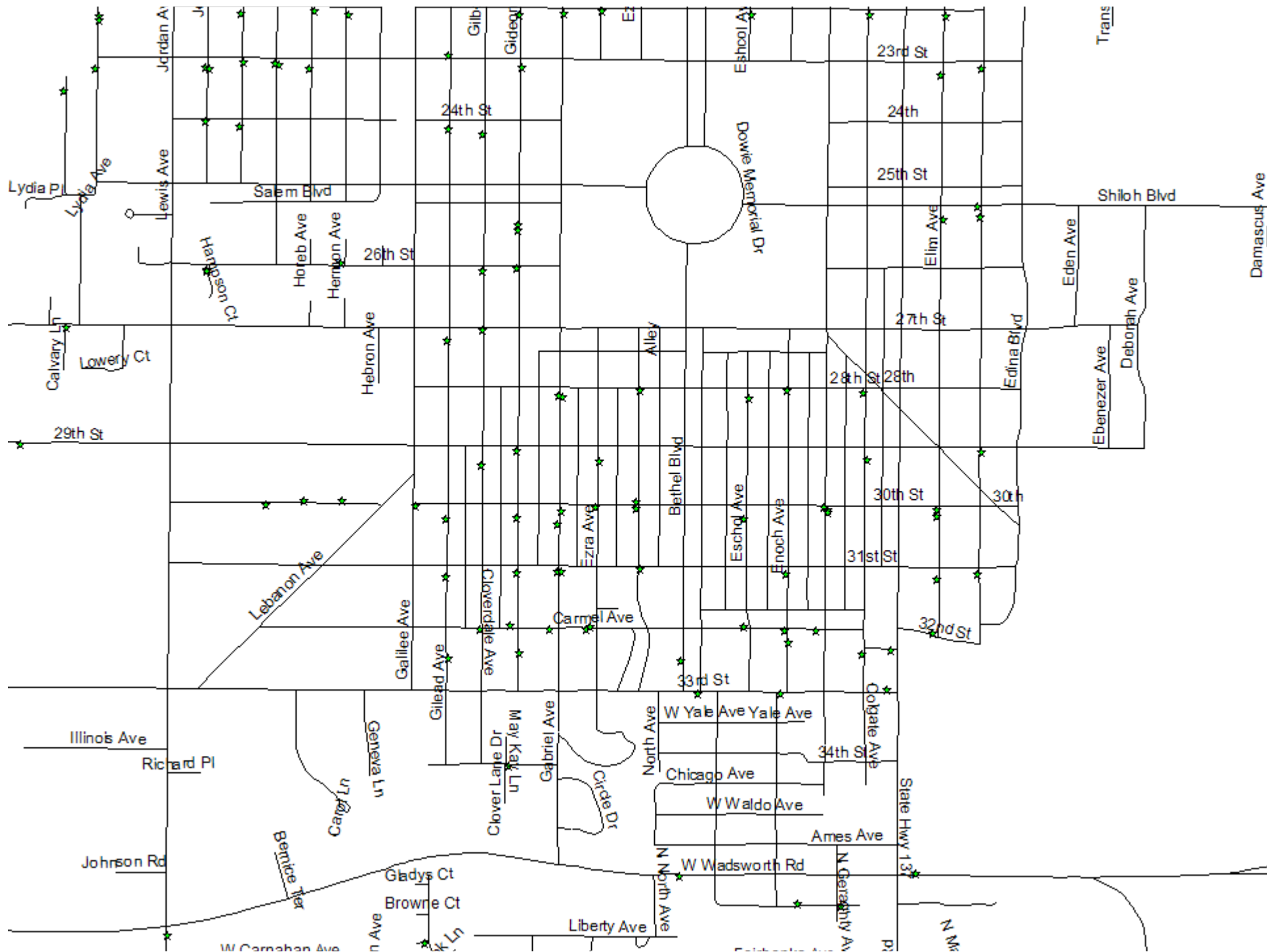


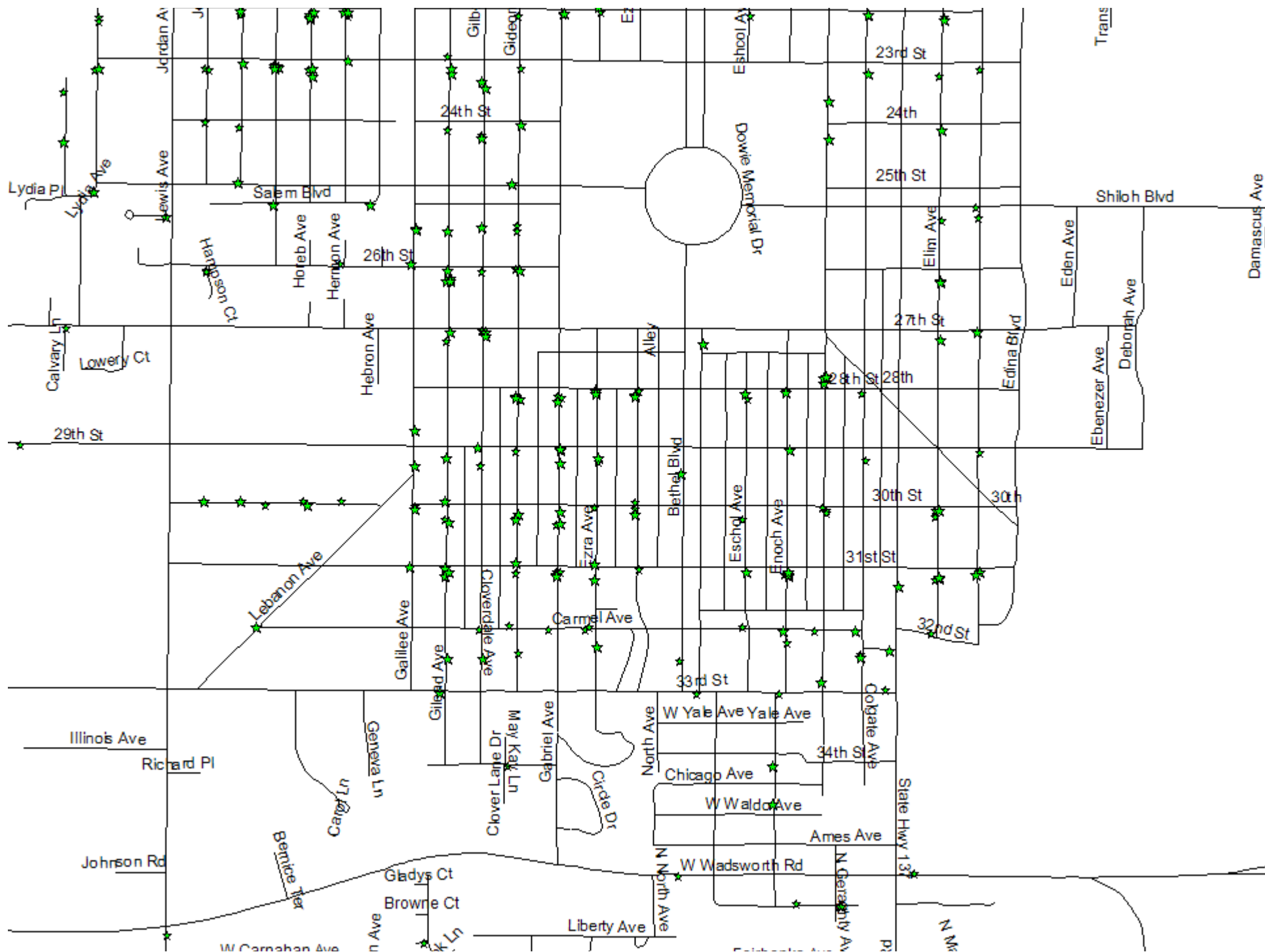
2007 Foreclosures in the Chicago Region

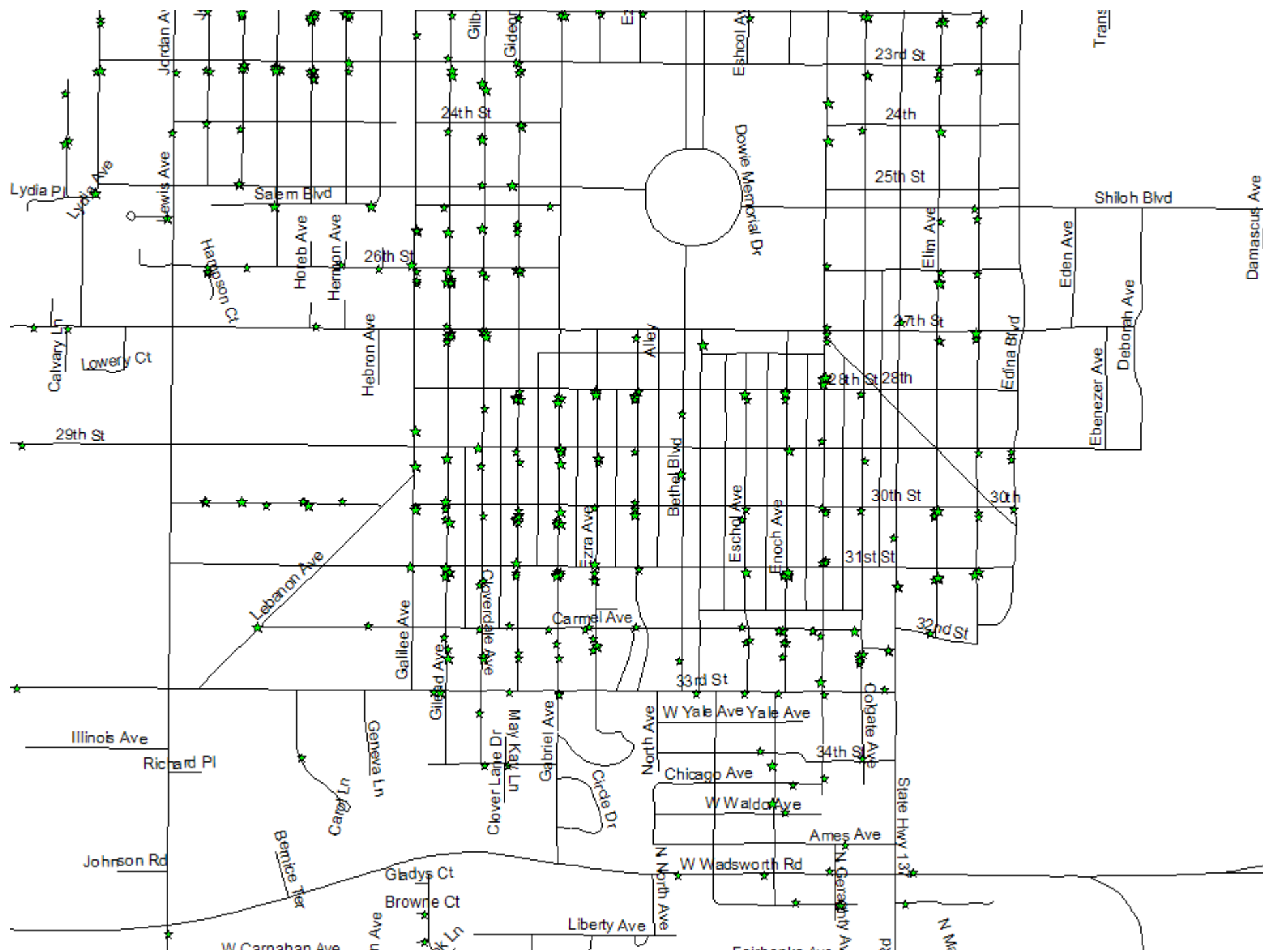
- Regionally there were 16.8 Foreclosure Filings per 1,000 Mortgageable Properties
 - South Cook – 36.4
 - Chicago – 24.4
 - Will County – 16.6
 - West Cook – 16.6
 - Kane County – 16.0
 - McHenry County – 13.2
 - Lake – 13.0
 - Southwest Cook – 11.2
 - NW Cook – 9.8
 - DuPage County – 9.4
 - North Cook – 7.2

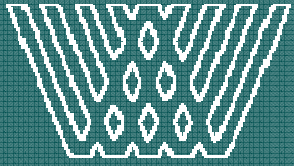


Source: Woodstock Institute analysis of data from Foreclosure Report of Chicago



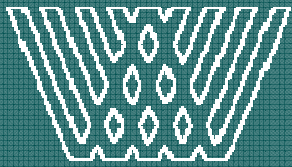






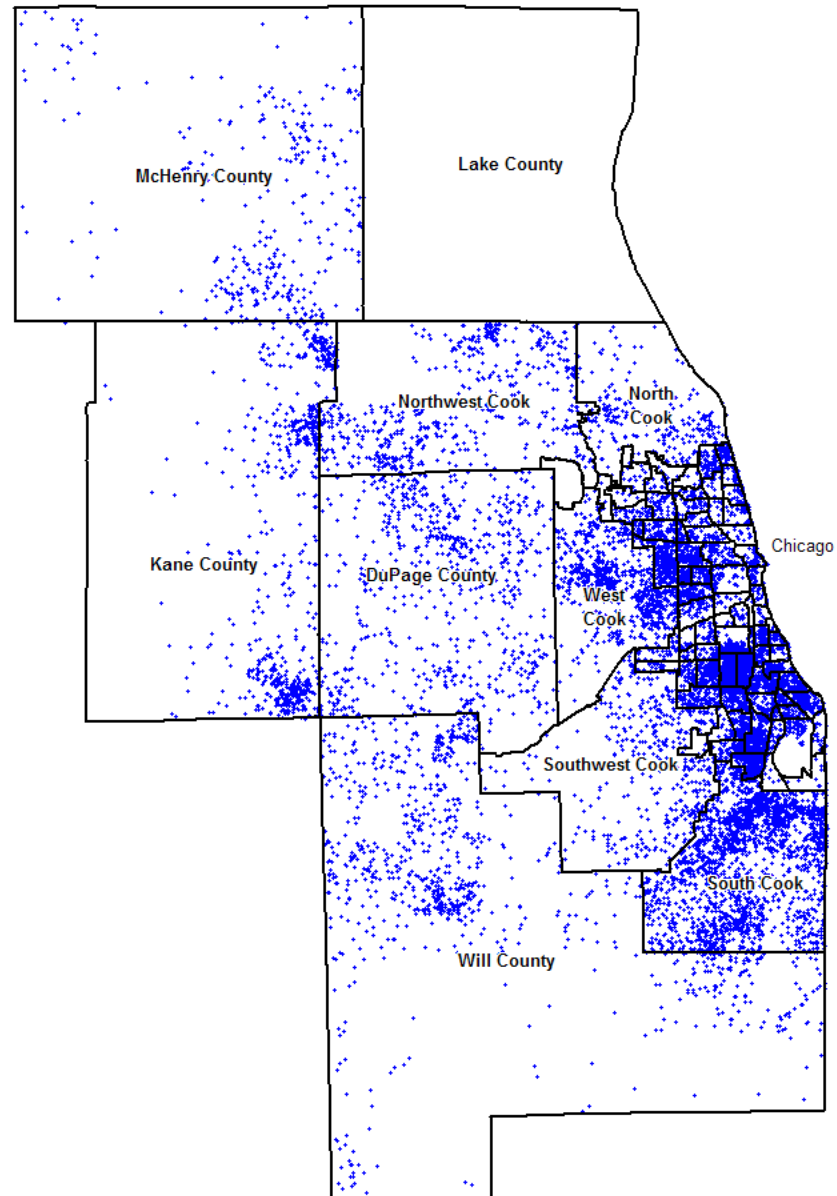
Foreclosure Outcomes

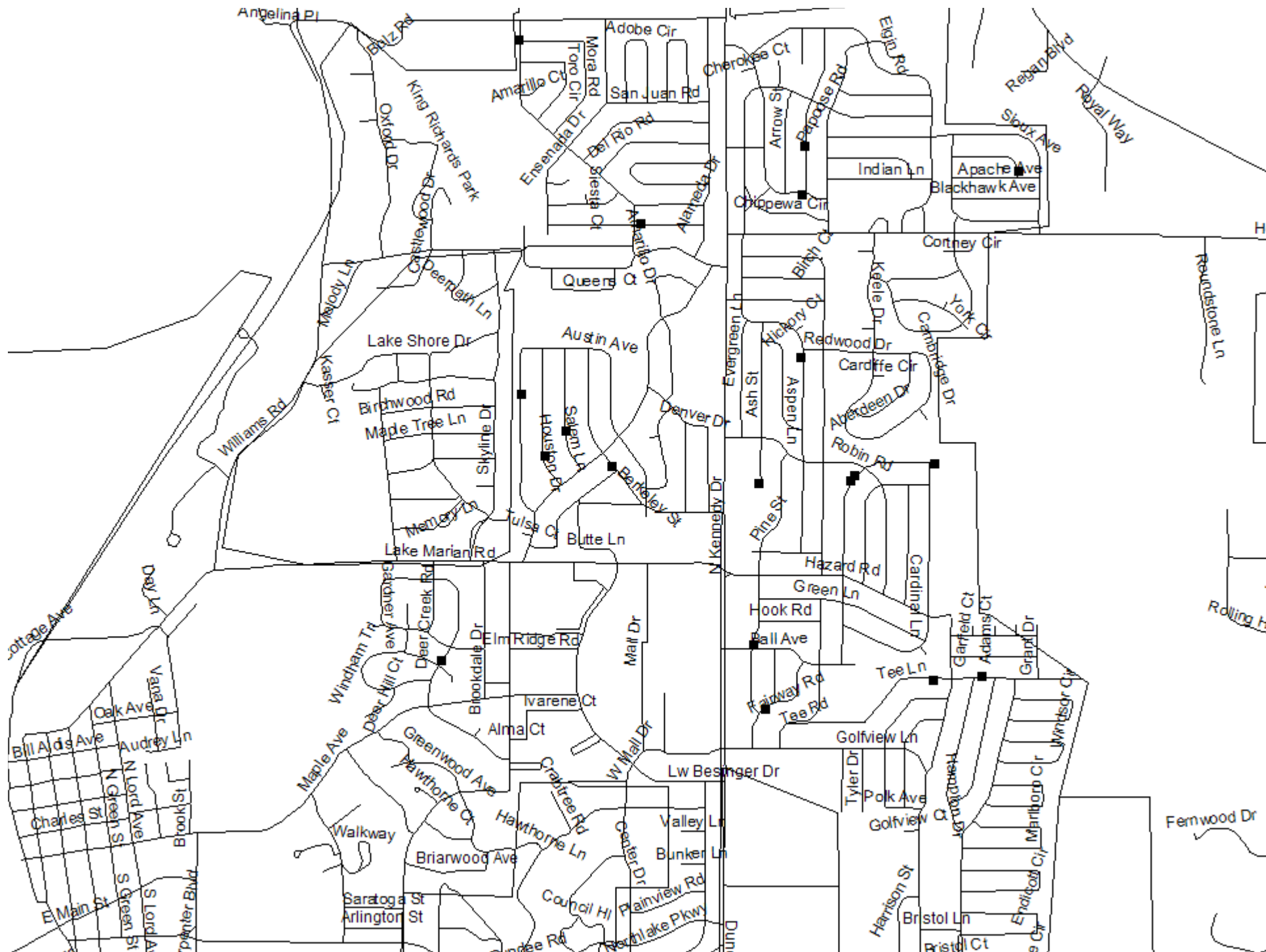
- Possible Outcomes of Foreclosure Filing
 - Negotiate loan modification and/or repayment plan – Homeowner
 - Negotiate short sale – Third Party Buyer
 - Deed in lieu of foreclosure – REO
 - Foreclosure goes to auction – Legal completion of foreclosure process
 - Outbid – Third Party Buyer
 - Lender – REO
- Growing number of foreclosures going to auction (5 Counties)
 - 2005 – 5,527
 - 2007 – 13,724
 - 148.3% increase
- Growing number of auctions going to plaintiff
 - 2005 – 68.6 percent
 - 2007 – 94.0 percent

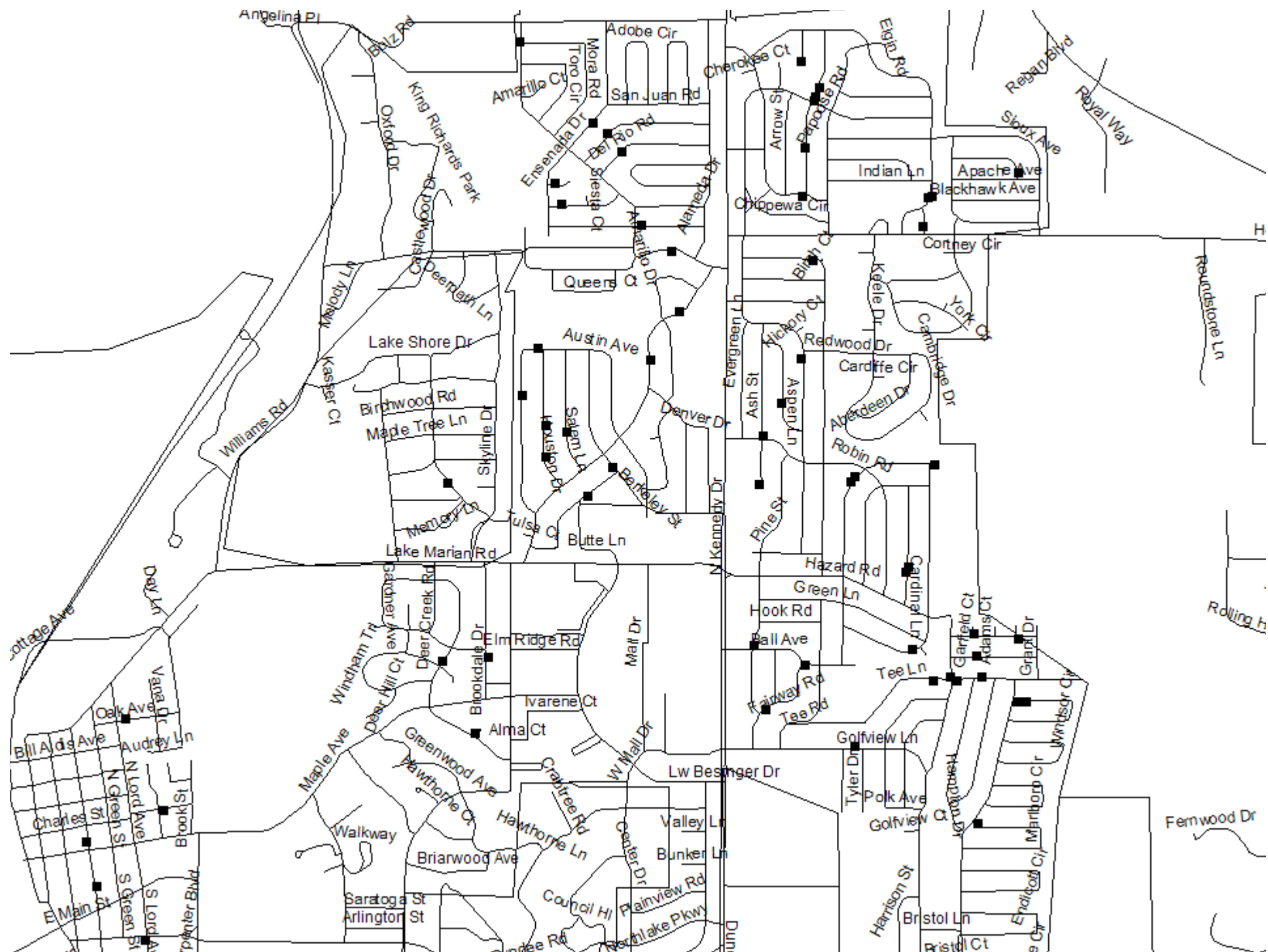


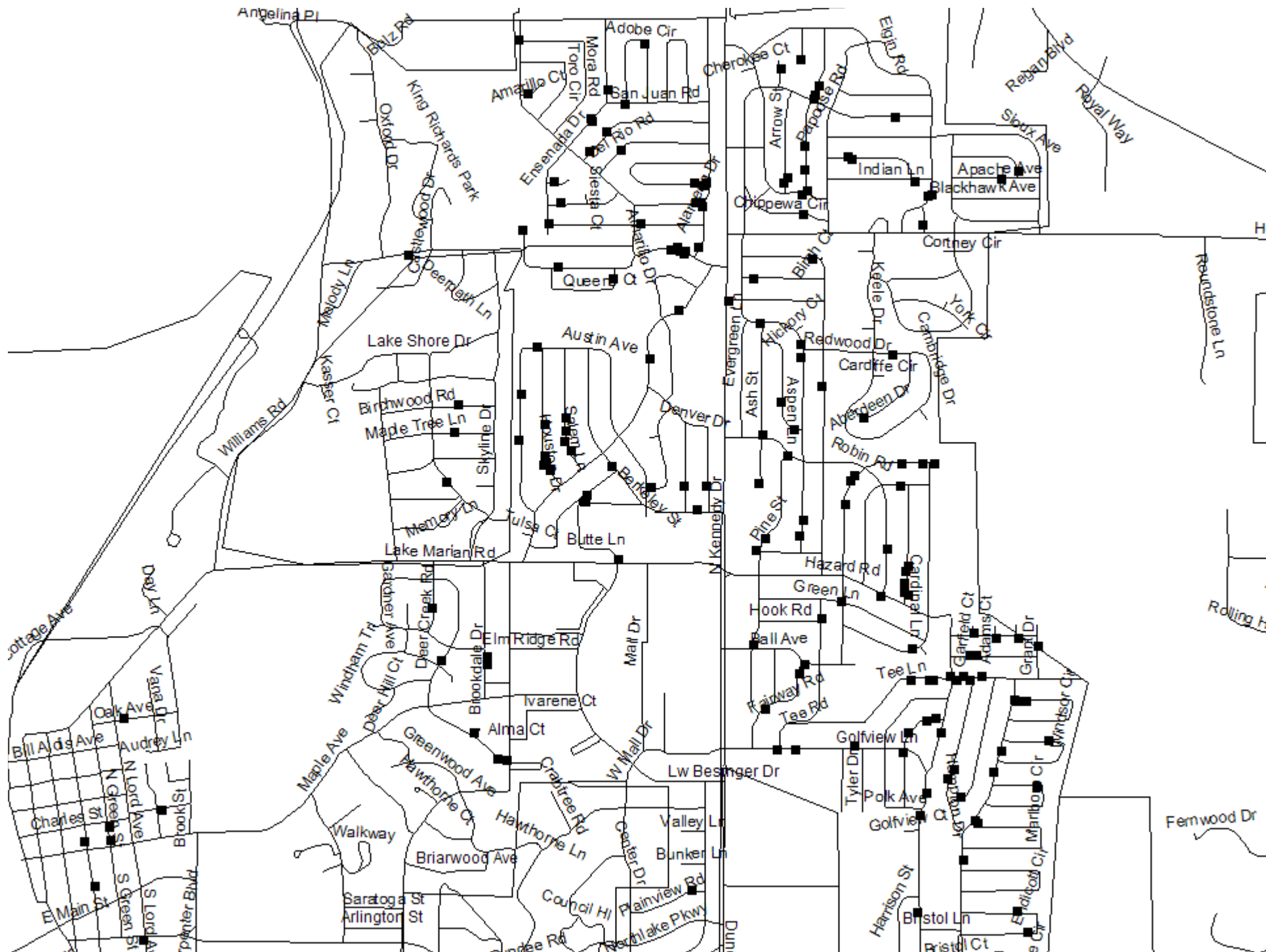
2007 Foreclosure Auctions in Chicago Region

- **Chicago region - 12,894 Foreclosure Auctions went to Lender (REO)**
- **Regional REOs:**
 - Chicago – 5,846
 - South Cook – 2,102
 - Will County – 978
 - West Cook – 855
 - Kane County – 751
 - DuPage County – 707
 - NW Cook – 639
 - Southwest Cook – 436
 - McHenry County – 332
 - North Cook – 248
 - Lake County - NA











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